COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DEREGULATION OF LOCAL EXCHANGE COMPANIES' PAYPHONE SERVICE	))	ADMINISTRATIVE CASE NO. 361

O R D E R

On March 6, 1997, the Commission issued an Order in this case seeking information required to comply with the Federal Communications Commission's ("FCC") directives in FCC 96-388.[1] Having reviewed the information filed in response to the Order, the Commission finds that additional information is necessary. All incumbent local exchange carriers ("LECs") and MCI Telecommunications Corporation ("MCI") are required to respond to the interrogatories directed to them.

The FCC has required that all LECs remove all interstate payphone subsidies from rates and file the appropriate tariffs to be effective April 15, 1997. The LECs are also required to do the same on the intrastate level by this Commission. Therefore, to meet the April 15, 1997 deadline, the tariffs filed in conjunction with this proceeding are approved on an interim basis. Those companies that have not filed tariffs to remove intrastate subsidies from rates and equipment from regulated operations and unbundle individual central office coin transmission service should file tariffs immediately. The Commission will continue to review the cost information and other responses to this Order to make a final determination on the appropriateness of the changes filed.

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1 Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996.

All LECs

Respond to applicable items.

1. With the elimination of semi-public service from the tariffs, what options will be available for current semi-public customers?

2. What steps has your LEC taken to notify semi-public customers that semi-public service is no longer available?

3. Provide the revenue impact, on interstate access revenue settlements, of the NECA adjustment to NECA's common line tariff or the adjustment made to your common line tariff.

4. Some tariffs contain deletions of certain rules and regulations for the provision of payphone service. What are those deletions and why were they made?

5. Some tariffs contain only one rate available for payphone service providers ("PSPs"). Indicate if this is considered a "smart" line or a "dumb" line. Also indicate why only one type of line is available.

6. Some tariffs eliminate service features such as line blocking and operator screening functions. Why are these deleted? Does the company no longer plan to offer these functions to PSPs?

7. The FCC has required LECs to file tariffs for the basic payphone services and unbundled functionalities in the intrastate jurisdiction which they provide to their own payphone services which must be: (1) cost based; (2) consistent with the requirements of Section 276 with regard, for example, to the removal of subsidies from exchange

access services; and (3) nondiscriminatory.[2] Companies that have filed tariffs that do not contain cost support for payphone services for PSPs should file this information.

GTE South Incorporated ("GTE")

1. The following questions relate to GTE's Exhibit 1, entitled "Public Telephone Subsidy Analysis - 1995 Actuals."

a. Are any ancillary revenues derived from operator services included in the accounts shown on lines 9 thru 14? If yes, explain why these revenues should be included and the amount included.

b. Explain why an expense factor for access lines has not been included in the study.

c. Discuss why a 75 percent intrastate allocator was used instead of the Part 69 allocation rules.

d. Disaggregate Indirect Expense-Other and explain how it was calculated. If not already considered, include indirect expenses shown in ARMIS Report 43-04 L 5000-8004.

e. Submit an updated Exhibit 1 based on the information requested in the above interrogatories.

BellSouth Telecommunications, Inc.

1. Explain the rationale for including in your "Payphone Subsidy Calculation," a $3.207 million component for access line expense.

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2 FCC Order 96-439, Order on Reconsideration CC Docket No. 96-128, paragraph 163.

2. Provide a copy of the report of Valuation Counselors Group, Inc. mentioned in response to Item 6(b).

3. Are any revenues from equipment rentals or non-recurring charges related to payphone services included in the Kentucky Payphone Subsidy Study?

Cincinnati Bell Telephone Company, Inc. ("CBT")

1. With regard to your answer to question 2(a), explain how CBT unregulated business buys services from CBT and what these services are.

2. In the last paragraph on page 11, you recommended that set-use fees be rescinded. Is it your position that flat rate compensation as ordered by the FCC will double-compensate payphone providers in every instance? In what cases will double-recovery not occur after implementation of the FCC's rules?

Independent Telephone Group ("ITG")

1. Responses to Question 10 reflect a small contribution for each company, however the revenue requirement associated with payphones has not been computed. For each ITG[3] company generate an income statement for payphone operations, using December 31, 1996, 12 months to date financial statements. Also identify investment and calculate the revenue requirement and the return on investment achieved. All

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[3] Ballard Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company, Inc.; Duo County Telephone Cooperative Corporation, Inc.; Foothills Rural Telephone Cooperative Corporation, Inc.; Harold Telephone Company, Inc.; Highland Telephone Cooperative, Inc.; Logan Telephone Cooperative, Inc.; Mountain Rural Telephone Cooperative Corporation; North Central Telephone Cooperative, Inc.; Peoples Rural Telephone Cooperative Corporation, Inc.; South Central Rural Telephone Cooperative Corporation, Inc.; Thacker-Grigsby Telephone Company, Inc.; and West Kentucky Rural Telephone Cooperative Corporation, Inc.

payphone-related revenues should be included with the exception of operator service-related revenues. Include coin revenues, semi-pub revenues, equipment lease charges, and any payphone-related, non-recurring charges.

<u>Harold Telephone Company</u>

1. The response to question 2(b) is that the cost support is the same as the B1 rate. Does this mean that the coin phone transmission service is included in the cost of a B1 service provided to smart phones? If yes, is the service also provided to dumb phones?

<u>MCI</u>

1. MCI has been granted full intervention in this proceeding after the issuance of the Commission's first set of questions in its Order of March 6, 1997; therefore, the Commission will require that MCI respond to questions numbered 1, 12, 13, 14, and 15 from that Order.

The Commission, having been sufficiently advised, HEREBY ORDERS that:

1. By May 1, 1997, the LECs and MCI shall file responses to the items enumerated herein.

2. LECs that have not filed tariffs and cost support to remove intrastate subsidies from rates and equipment from regulated operations and to unbundle individual central office coin transmission service shall file such tariffs with the Commission no later than April 15, 1997, to be effective on April 15, 1997.

3. The tariffs filed with the Commission in conjunction with this proceeding shall be approved on an interim basis pending further Commission decisions.

Done at Frankfort, Kentucky, this 11th day of April, 1997.

PUBLIC SERVICE COMMISSION

Linda K Breathitt
Chairman

Edward J. Holmes
Vice Chairman

B. J. Helton
Commissioner

ATTEST:

Don Mills
Executive Director